

K-12 Funding in Virginia

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The Good News: Additional 2016-18 Revenues Likely Even With FY15 Surplus Consumed by Rainy Day Fund

Fiscal Year	Official Growth	Official GF Revenues	Adj. Est. Growth	Adjusted GF Revenues	Difference
2014	-1.6%	\$16,411	-1.6%	\$16,411	\$0
2015	4.7%	\$17,186	8.1%*	\$17,739*	\$553
2016	3.1%	\$17,721	3.1%	\$18,289	\$568
2017	2.1%	\$18,092	2.1%	\$18,673	\$581
2018	3.7%	\$18,755	3.7%	\$19,364	\$609

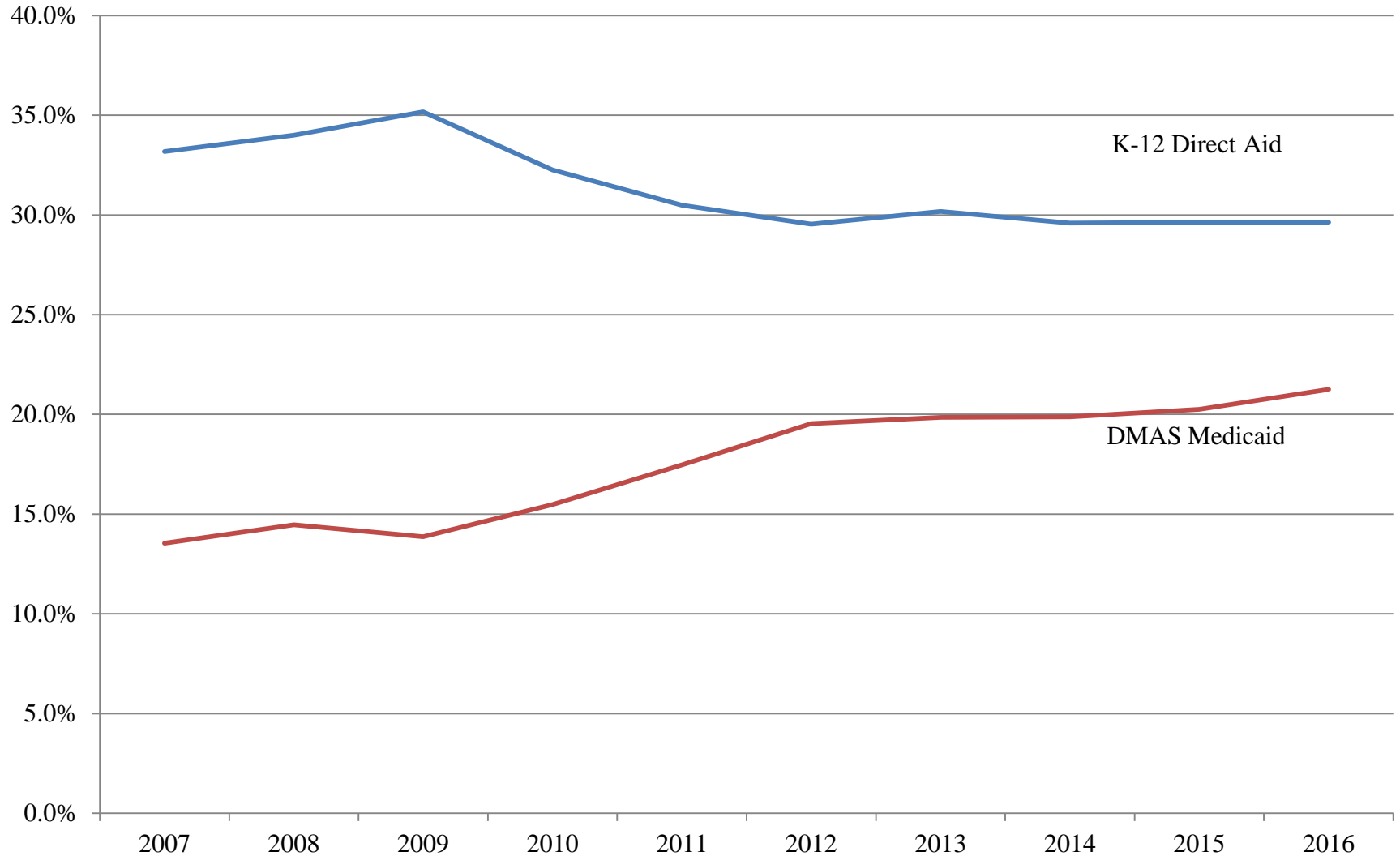
* Preliminary Actual, FY 2015 surplus consumed by Rainy Day Fund constitutional deposit requirements

2016-18 State GF Budget: Unless Growth Estimates Decline, There Should be Some Flexibility Beyond K-12 Rebenchmarking and Medicaid

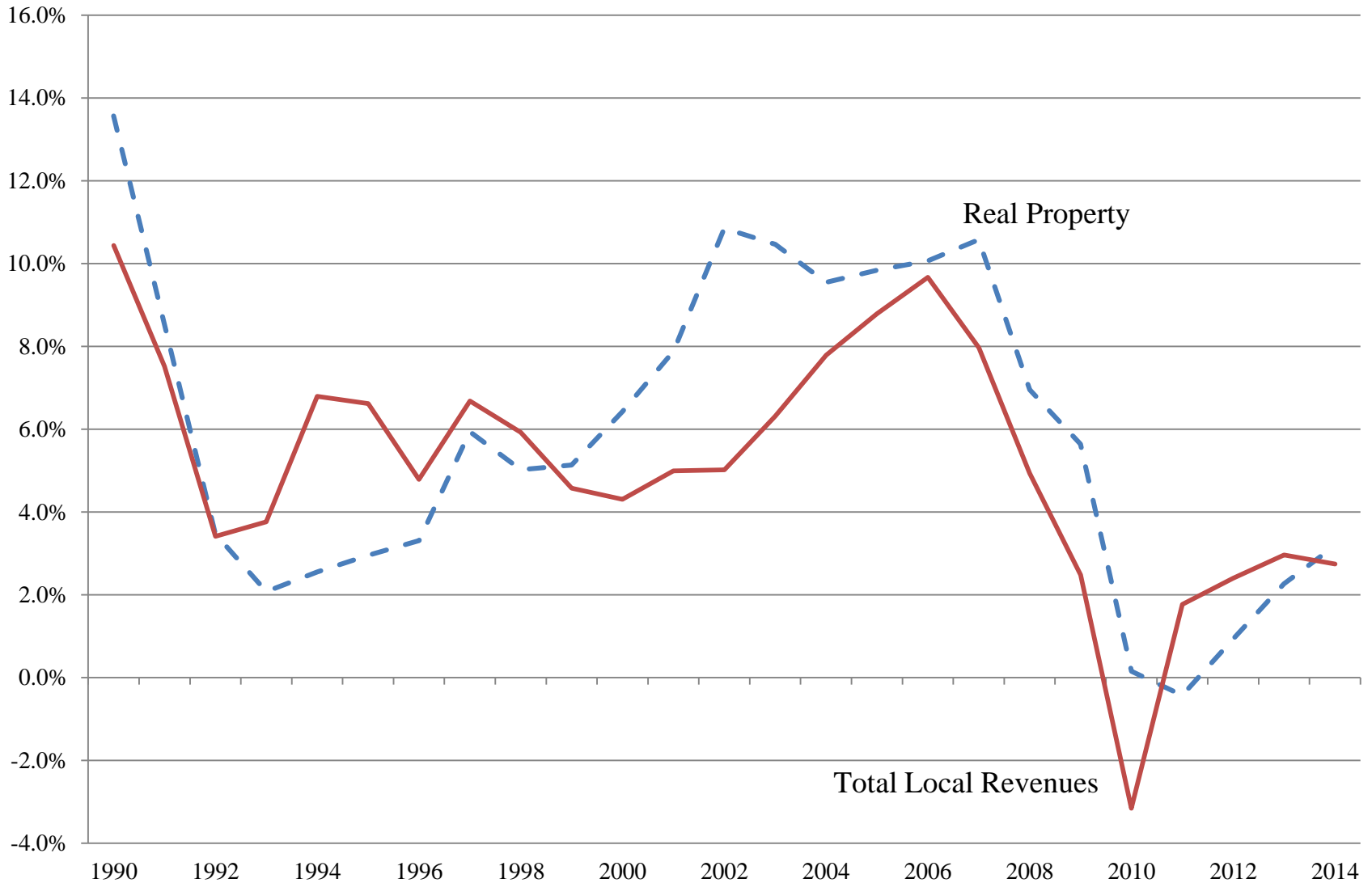
- 2016-18 biennial GF base budget about \$37.5 billion. Available GF resources* of about \$39.7 billion assuming current forecasted growth rates. Additions to base budget could include:
 - Rebenchmarked K-12 costs (\$600 million?)
 - Medicaid inflation and utilization (\$600 million?)
 - Other human service enhancements, such as behavioral health?
 - Additional debt service for already authorized debt? Cash for capital spending?
 - Repeal accelerated sales tax, economic development initiatives or other tax policy reductions?
 - Restore recent agency cuts and on-time reductions? Increased employee health care costs?
 - Salary increases for state employees, teachers, faculty?
 - Accelerate full funding of VRS?
 - Restore state spending cuts for local-administered, state-priority programs, including K-12?

		<u>2015 Session Adopted Budget</u>		<u>FY14-16 over FY14 x 2</u>
		FY 2014 Budget	FY 2015 Budget	
Legislative and Executive Dept's	103.2	109.0	107.7	10.3
Judicial Dept.	425.2	452.6	455.4	57.6
Administration/Comp Board	654.1	689.6	680.5	61.8
Treasury Board GF Debt Service	608.5	672.1	683.7	138.7
Other Finance/Technology	171.8	179.8	181.5	17.5
Rainy Day Fund	339.6	372.7	-	(306.5)
Car Tax Reimbursement	950.0	950.0	950.0	-
Commerce and Trade	183.3	181.9	197.0	12.3
Agriculture / Nat. Resources	144.0	184.3	174.4	70.7
K-12 Education/Central Office	5,292.7	5,456.5	5,615.3	486.5
Higher & Other Education	1,782.1	1,813.6	1,865.5	114.9
DMAS Medicaid	3,519.8	3,694.4	3,987.2	642.0
Other Health & Human Services	1,541.5	1,646.1	1,658.1	221.1
Public Safety & Veterans/HS	1,699.0	1,802.8	1,836.1	240.8
Transportation	42.0	13.2	69.1	(1.7)
Central Appropriations	247.2	20.4	160.2	(313.8)
Independent Agencies/Capital	<u>1.2</u>	<u>1.4</u>	<u>142.6</u>	<u>141.6</u>
Total GF Appropriations	\$ 17,705.2	\$ 18,240.2	\$ 18,764.2	1,593.9
GF Resources	\$ 17,304.1	\$ 18,301.0	\$ 18,767.3	
Balances		\$ 186.4	\$ 1.9	
Unspent Balance		\$ 247.2	\$ 5.1	

Medicaid Costs Squeezing K-12 Funding (% of State GF)



Localities Only Beginning to Recover from Real Estate Recession



Note: real property tax rate changes from FY 13-15: 20 cities increased, 2 decreased; 57 counties increased, 7 decreased . 6

Since Recession, Local Revenues & Expenditures Have Not Kept Pace with Inflation* / Population Growth

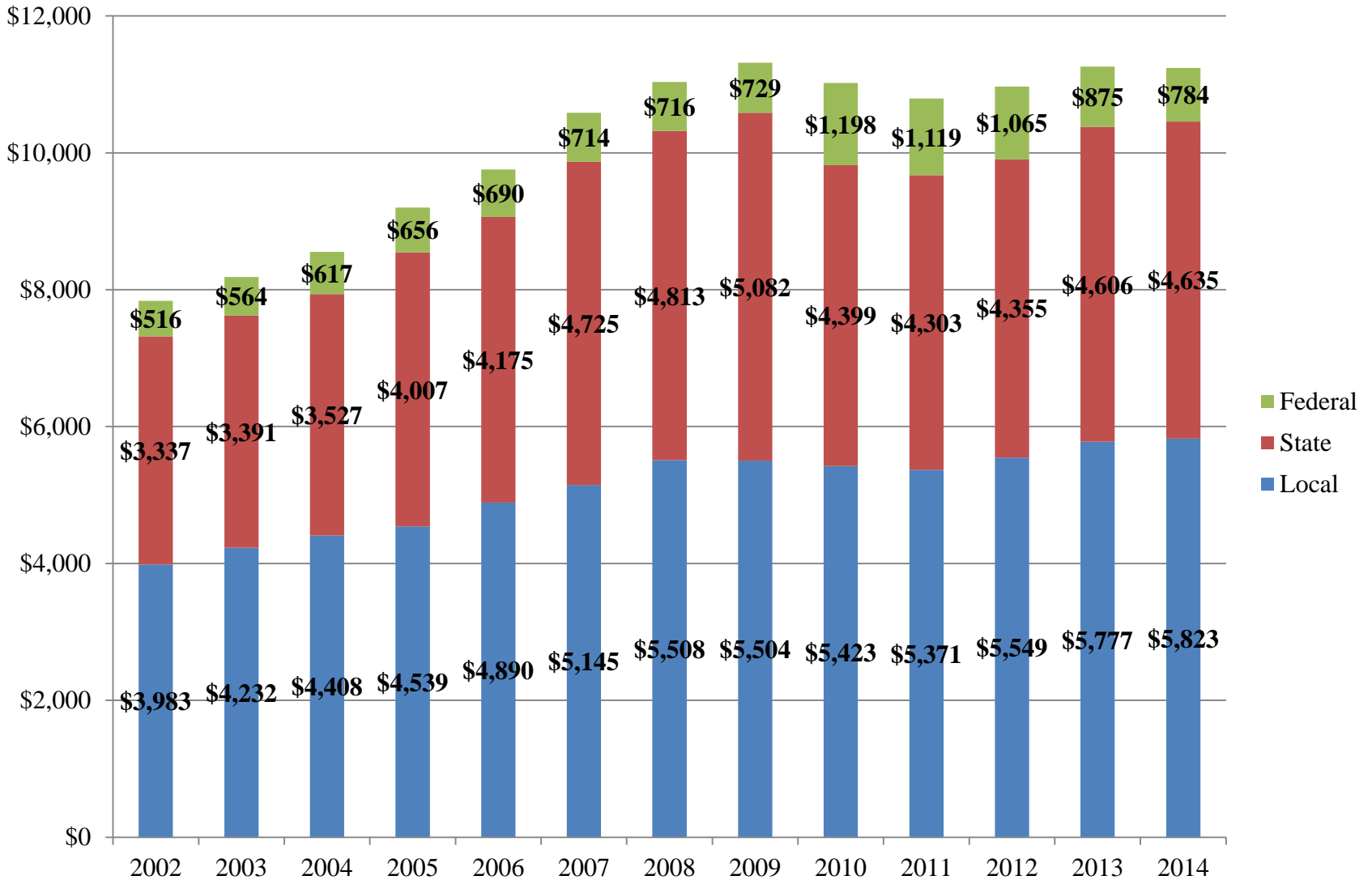
FY 2009 - FY 2014 Growth Comparison

	Locally-Generated Revenue	State/Federal Revenue for Localities	All Local Revenue Sources	O&M Expenditures	Population
Virginia Cities	3.9%	-1.4%	1.7%	0.1%	3.7%
Virginia Counties	9.0%	6.8%	8.2%	8.3%	5.3%

* Inflation as measured by the CPI grew 10.5% from FY 2009-14

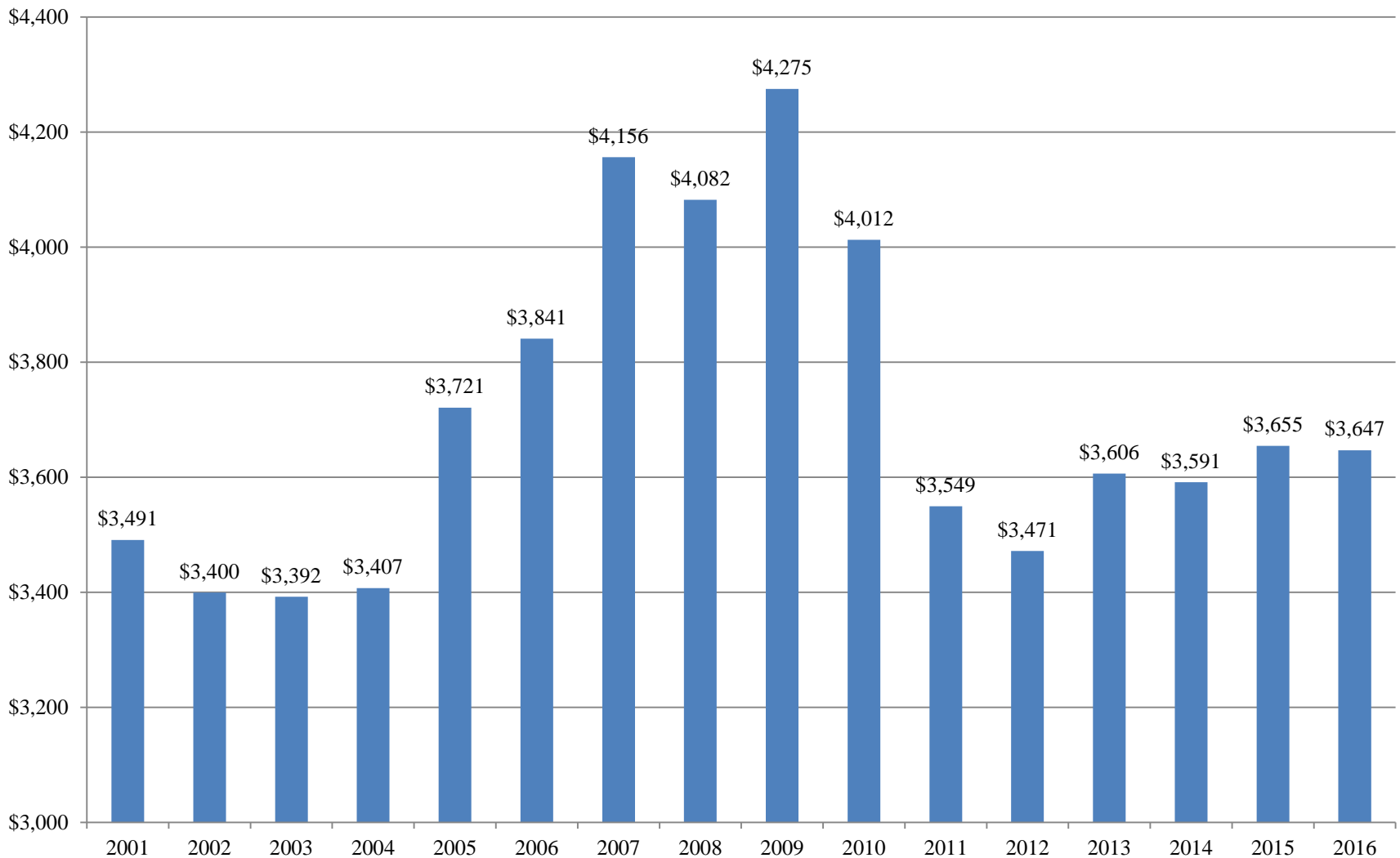
Note: 40% of locally-generated and 54% of all local-available revenues spent on K-12.

Funding Sources for K-12 Education in Virginia (Per Pupil \$)



Source: DOE Superintendent's Annual Report, Table 15.

...Real Inflation-Adjusted State K-12 Funding is Still Below 2005 (FY 2001 \$ Per Pupil - All State Appropriated Funds)



Sources: VA Dept. of Education Direct Aid Entitlement Calculation Templates, and Dec. 17, 2014 GACRE Report (CPI) Secretary of Finance
Note: Includes state appropriated federal ARRA stimulus funds in FY 2010-11.

State Standards of Quality Funding Do Not Reflect True Costs of Local K-12 Divisions

- State does not pay for all Board of Education approved current practices and standards; overemphasizes the lower values in the more numerous, smaller/rural school divisions in calculating prevailing costs; does not reflect real-time costs in re-benchmarking; and no longer pays prevailing support costs.
- Funding teacher salaries at the national average (VA about \$7,000 less than the national avg) and providing funds for prevailing support costs would require an additional \$750 million/year (\$625 per pupil).
- Localities go beyond state mandates to meet SOL and SOA requirements -- spending \$6.94 billion for school division operations in FY 2014 (56 percent of state-local K12 funding) -- or \$3.6 billion (110%) above Required Local Effort (RLE).
- All school divisions exceeded RLE in FY 13.

Divisions up to 25% Above RLE	10
Divisions Exceeding 25% to 75%	54
Divisions Exceeding 76% to 100%	26
Divisions Exceeding 100% RLE	45

State K-12 Policy Changes Adopted to Reduce Funding

<u>Major K-12 Funding Policy Changes Since 2008 Session</u>	<u>Session</u>	<u>Biennial \$ in Mil.</u>
Cap Funding for Support Positions	2009	(\$754)
Eliminate School Construction Grants	2009	(\$55)
Adjust Health Care Participation Rates	2010	(\$269)
Eliminate Equipment, Travel, Misc. Expenses From SOQ Calculation	2010	(\$244)
Include \$0 Values in Linear Weighted Avg Calculation	2010	(\$79)
Eliminate Lottery Support for School Construction	2010	(\$67)
Drop Lowest Tier From K-3 Class Size Calculation	2010	(\$36)
Extend School Bus Replacement Cycle From 12 to 15 Yrs	2010	(\$19)
Eliminate Enrollment Loss Assistance	2010	(\$16)
Eliminate Non-personal Inflation Update (not originally intended as permanent, <i>partially offset in 2012-14 biennium</i>)	2012	(\$109)
Eliminate COCA for support positions in NoVa	2012/14	(\$50)
Use Kindergarten as Proxy for 4-yr-old Pre-K Count	2012	<u>(\$27)</u>
Total Major Policy Changes Since 2008		(\$1,725)

Virginia Board of Education Recommended, But Unfunded, Changes to the SOQ

	<u>Year First Recommended</u>	<u>FY 2014 Est. \$ Mil</u>
A full-time principal for each elementary school	2003	\$8.0
A full-time assistant principal for every 400 students in the school	2003	\$70.6
One reading specialist for every 1,000 students in K-12	2003	\$51.3
One mathematics specialist for every 1,000 students in K-8	2006	\$35.0
A data manager-test coordinator for every 1,000 students in K-12	2006	\$51.3
Reducing speech-language pathologist caseloads from 68 to 60	2003	<u>\$5.3</u>
Total Annual Unfunded BOE Recommended SOQ Changes		\$221.5

Virginia Ranks Below National Averages in K-12 Spending Despite Its Wealth

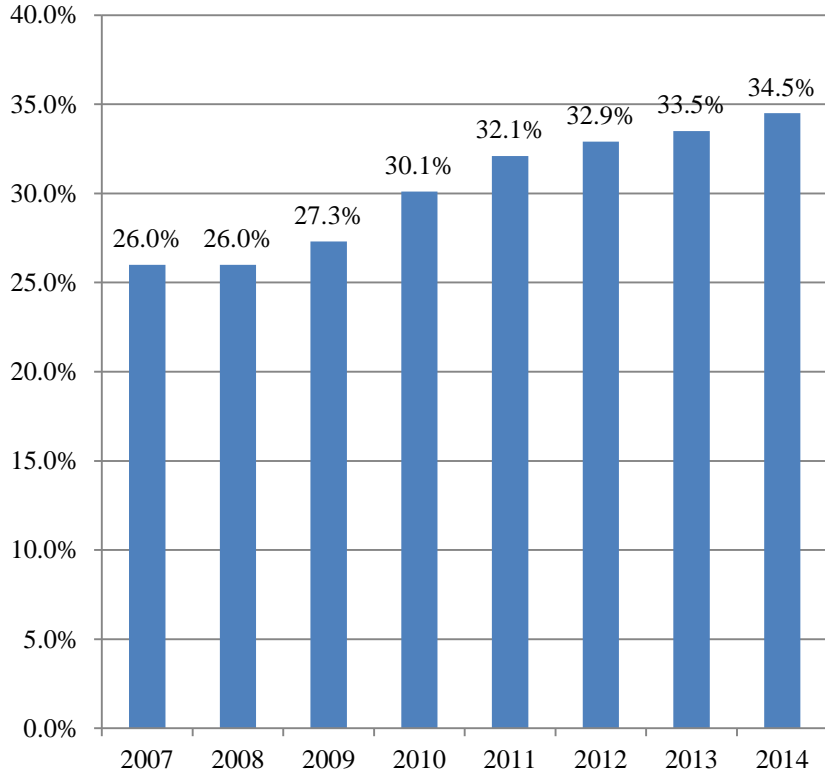
	<u>2012 State Rank</u>	<u>2015 State Rank</u>
Per Capita Personal Income	8	10
Per Capita State Expenditures	32	27
State Per Pupil Funding	35	41
State and Local Per Pupil Funding	17	26
Average Salary of Public School Teachers	28	35

Source: Virginia Compared to Other States, JLARC, 2012, 2015 Editions

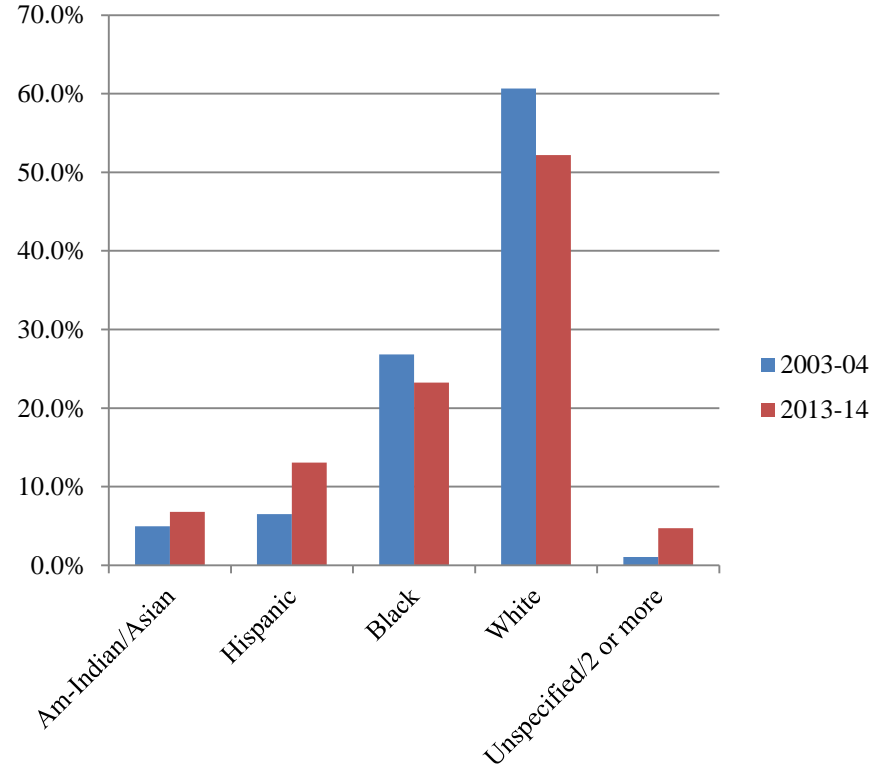
More Difficult and Diverse Student Population to Educate

- More At-Risk Students
- Changing Student Demographics

Percentage of Free Lunch Students in VA



VA Public K-12 Student Population by Race



The Achievement Gap Persists

32 Percent of All Schools Are Not Fully Accredited (2014-15)

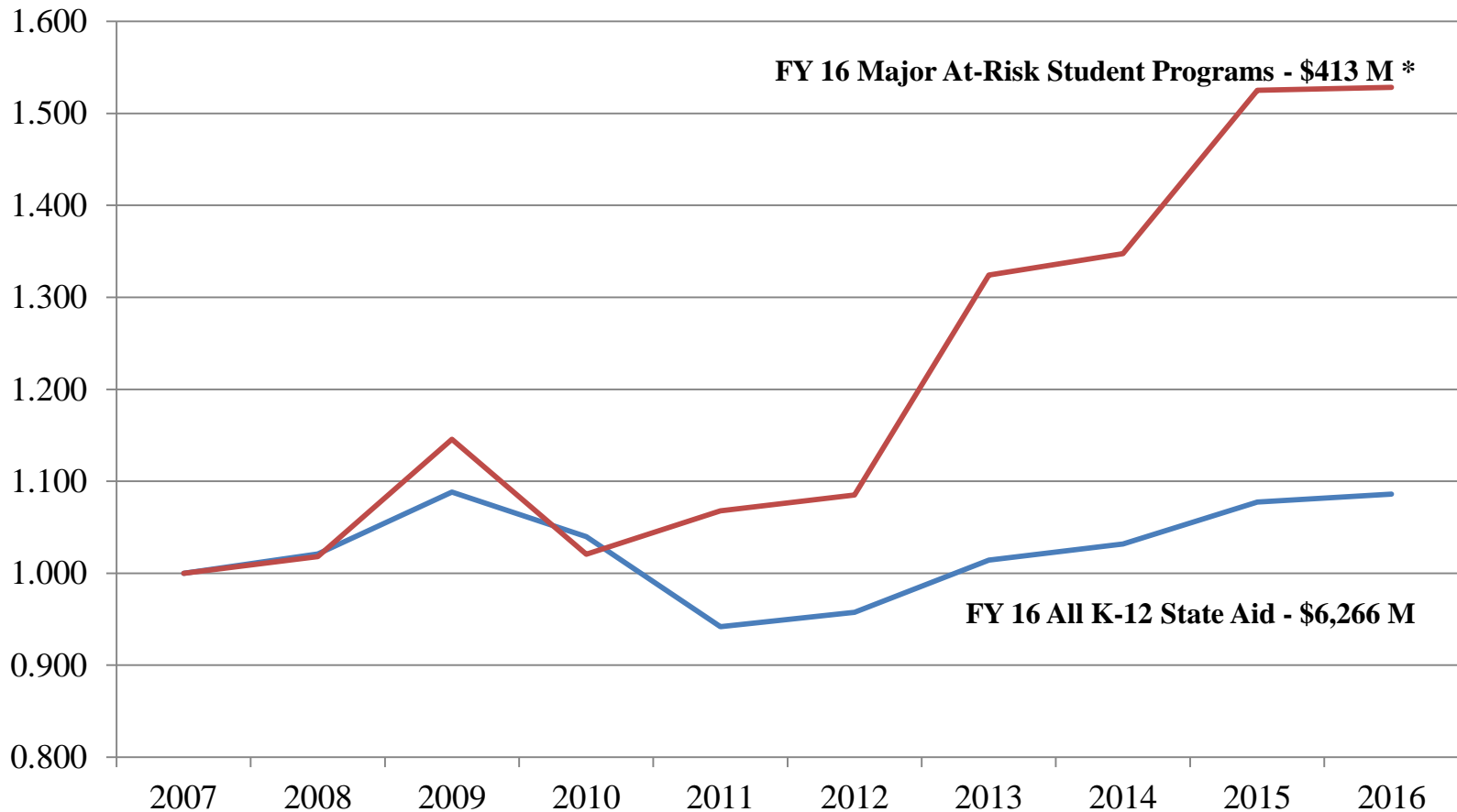
Fully Accredited	1249
Provisionally/Conditionally Accredited	23
Accredited with Warning	541
Accreditation Denied	13

2013-14 SOL Pass Rates

	<u>English</u>	<u>Math</u>
Asian	87	90
White	82	80
Hispanic	65	67
Black	59	60
Economically Disadvantaged	59	61
Limited English Proficiency	54	62

While State At-Risk Student Aid is Growing, Still a Fraction (6.6%) of Overall State K-12 Aid

Cumulative Growth Since FY 2007 in Total State K-12 Aid Compared to Major At-Risk Student Education Programs



*Includes state funds for SOQ Prevention, Intervention, Remediation, and Lottery-funded At-Risk, K-3 Class Size, VPI, Algebra Readiness, Early Reading programs

VASS Spring 2015 Superintendent Survey

“Great Recession” Spending Cuts Are Still Felt

92 percent of school divisions responded. Key findings included:

- 10,180 FTE reduced, including 5,138 teachers.
- 87% of respondents who reduced staff have added duties to the remaining staff
- 77% of respondents believe that teachers have left their division due to their salary.
- 20% have reduced compensation and 44.5% of divisions have reduced employees’ benefits since FY 2009.
- 71% of divisions have increased class sizes since FY 2009.
- 23% of divisions closed schools for financial reasons.
- 52% of divisions reduced curricular programs.
- 29% of have reduced co-curricular programs.

K-12 Issues for the 2016-18 Biennium

- What degree of priority will K-12 funding have if additional GF revenues become available beyond rebenchmarking? Should previous reductions be restored, or Board of Education recommendations be funded? Are there new priorities?
- Should additional strategies/funding be pursued to close the achievement gap among students?
- The Local Composite Index will be updated in the fall from CY 2011 to CY 2013 data.
Approximately \$5 billion in state K-12 aid is distributed through the LCI.